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SUBJECT: COLOMBIA: HAS RECESSION ARRIVED?

¶1. SUMMARY. The GOC recently released its first quarter growth figure, negative 0.06 percent, sparking a debate among economic cognizanti over whether or not Colombia was in recession. Regardless, the relatively modest downturn was viewed as a positive sign, given that most forecasts predicted negative growth close to or over 1 percent. Despite the crisis, the mining, financial services and construction sectors demonstrated growth in the first quarter, causing some to opine that Colombia may have survived the worst of the crisis. Time will tell if the Colombian economy has bottomed out, but the recent growth figure is definitely an unexpected and welcome surprise. END SUMMARY.

Recent Growth Statistics Better Than Expected

¶2. On June 25 the Colombian Statistics Department (DANE) published the 2009 first quarter growth figure: negative 0.06 percent. Both the GOC and private analysts are publicly interpreting this figure in different ways, debating if Colombia is now in a recession. (Note: While Colombia has had two consecutive trimester contractions of GDP and thus technically in recession, this quarter's GDP growth is nominally higher than the same 2008 period, leading some -- including Finance Minister Zuluaga -- to say that Colombia has not yet entered recession. End Note.)

¶3. Despite the debate, most agree that the statistic is a positive sign, given that most forecasts predicted negative growth close to or over 1 percent. Luis Carlos Villegas, president of the Colombian Industrial Association (ANDI), told us the figures indicate that 2009 growth will not be as negative as expected and that "we can hopefully soon expect the economy to start its recovery." Other local experts note, however, that growth is just one factor of a recovery, highlighting that unemployment -- presently at 11.7 percent -- continues to worsen. The Director of Fedesarrollo Roberto Steiner said that while the growth figures offers a positive signal for the remainder of 2009, continued high unemployment remains a more serious concern.

Specific Sectors Carrying The Slack

¶4. Carlos Rojas, Vice-President of Colombia's Finance Association (ANIF), highlighted the positive performance of certain sectors as motors of the surprisingly positive results. While manufacturing continues to sputter (-7.9 percent), mining, financial services, and construction grew during the first quarter at rates of 11, 5 and 4 percent respectively. Rojas opined that Colombia is definitely in a recession, but that continued growth of specific sectors demonstrates "definitive symptoms of survival."

Comment: Too Early To Tell, But Room For Optimism

15. The most recent figures demonstrate that Colombia is better positioned than many of its neighbors such as Chile (-2.1 percent) and Brazil (-1.8 percent). Analysts are beginning to upgrade their 2009 growth projections with the hope that recent figures and GOC efforts to strengthen the economy (i.e. expanding public investment, interest rate cuts, lifting of restrictions on foreign investment) will restore confidence. While it is too early to tell, the recent figures do indicate that, regardless over one's definition of "recession", Colombia might be on its way to recovery from the worst of the crisis, and is doing so sooner than anyone had anticipated.

Brownfield